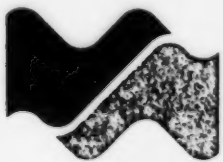




NO. 1000000000
1000000000

ANNUAL REPORT

1997



**Waterfront Development
Corporation Limited**

The Cable Wharf
1751 Lower Water Street
Halifax, Nova Scotia
B3J 1S5

Telephone: (902) 422-6591
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**Waterfront Development
Corporation Limited**



**Message from the Corporation
for
1996-97**

Further Achievements in Each of our Key Business Areas

The Corporation continued to pursue their mandate as a Provincial Crown Corporation to develop the downtown waterfront in Greater Halifax, to promote the harbourfront area and act as stewards of the capital city harbourfront assets and to coordinate overall planning. Our vision is to be recognized as North America's leading agency for creating a vibrant living and working harbourfront.

Highlights of Past Year Completed Capital Projects

June 96	Waterfront Warehouse Restaurant complex
Oct. 96	Emergency heliport/wharf
Nov. 96	Nova Scotia Crystal (unique in Canada for manufacturing mouth blown hand-cut crystal)

The major residential development announced for the South Battery lands has been delayed due to a Federal land claim made against WDCL by the Halifax Port Corporation. For over a year, WDCL have pursued settlement strategies aimed at a successful completion of this significant development on the waterfront. As a result of these efforts, a provisional agreement has been reached between the parties. This is expected to result in a municipal development agreement by the Fall of 1997 with a rescheduled construction start Spring of 1998. All stages of the project expected completion late Fall 1999.

Planning and Coordination

During the past year, the corporation developed a 5 year long range plan. This plan was approved by the Board and our Shareholder, the Minister of Economic Development and Tourism. Included in this multi year plan is a strategy for developing sites currently owned by the corporation and a series of strategic property acquisitions for sites yet

to be acquired for public use and future complementary business development. An overall master plan for the entire waterfront is planned on a partnership basis with the Halifax Regional Municipality.

Promotions

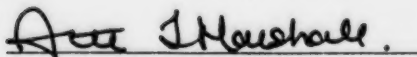
Encouraging promotion of the waterfront including our own public properties is an important support role to our fundamental development business. During 1996/1997 our promotional activities included:

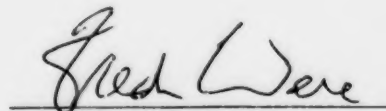
- Acting on behalf of the province and the other two levels of government negotiating the participation of Nova Scotia in the millennia Tall Ship visit July 2000. This included assisting the Minister to establish a separate organization 'Tall Ships Nova Scotia' to have responsibility for this major event. WDCL has continued to identify under our visiting ships program vessels of interest to the public. The John Cabot vessel 'The Matthew' replica will be hosted August 1997 in Halifax by WDCL in cooperation with The Maritime Museum of the Atlantic.

- A series of waterfront festival events has been initiated and supported by WDCL including developing off season activities. Last year a successful winter festival was conducted in partnership with several Halifax waterfront businesses and the Downtown Business Commission.


Assisting other Nova Scotia waterfronts has been a support role of the corporation. Over the past year, we have provided office space and part-time staff support to the Bedford Waterfront Development Corporation.

WDCL has a positive balance sheet showing \$12.8 million of equity (up from \$12.3 million previous year). Our future plans include a series of major land acquisitions and capital development. This multi-year plan, will largely complete the downtown waterfront areas in Halifax and Dartmouth. The projects in this plan total \$12 million; \$6 million of this financed by further bank financing with the remainder financed by anticipated government grants.


Annette Marshall, Chair


Fred Were, President

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Doane Raymond 

**Waterfront Development
Corporation Limited
Financial Statements**
March 31, 1997

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Management Statement on Financial Reporting

To the Shareholder of
Waterfront Development Corporation Limited

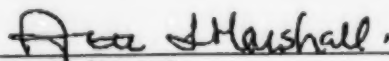
Management has a responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. An Audit Committee of non-management Directors is appointed by the Board to review the financial statements in detail with management and to report to the Directors prior to their approval of the financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the financial statements in detail and meet separately with both the Audit Committee and management to review their findings. Doane Raymond, Chartered Accountants report directly to the shareholder.



Fred Were
President and Chief Executive
Officer



Annette Marshall
Chair
Board of Directors

Auditors' Report

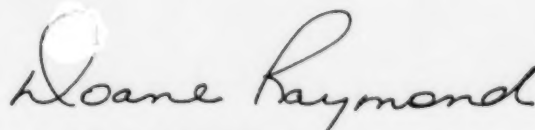
To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1997 and the statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997, and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

Halifax, Nova Scotia
June 26, 1997



Chartered Accountants

P.O. Box 426
Suite 1100 Cogswell Tower
2000 Barrington Street
Halifax, Nova Scotia
B3J 2P8
Tel: (902) 421-1734
Fax: (902) 420-1068

Waterfront Development Corporation Limited

Statements of Earnings and Deficit

Year Ended March 31

1997

1996

Revenue		
Rents	\$ 1,793,679	\$ 1,724,274
Recoveries	49,758	48,898
Interest income	10,934	22,615
Other income	46,177	
	<u>1,900,548</u>	<u>1,795,787</u>
Property expenses		
Property taxes	105,691	112,571
Operating	318,772	309,683
Depreciation and amortization	255,325	185,197
	<u>679,788</u>	<u>607,451</u>
Income before other items	<u>1,220,760</u>	<u>1,188,336</u>
Corporate expenses		
Directors fees and expenses	41,724	41,758
Doubtful accounts	3,410	15,477
Office operations	46,826	39,720
Professional fees		
Audit	6,875	6,875
Consultants	16,855	68,087
Legal	57,018	10,356
Salaries and benefits	266,163	222,409
Waterfront promotions and public relations	78,916	82,335
	<u>517,787</u>	<u>487,017</u>
Loan interest		
Expense	316,353	423,626
Contributions from the Province of Nova Scotia	(344,000)	(351,235)
	<u>(27,647)</u>	<u>72,391</u>
Depreciation on facilities for public access	<u>72,802</u>	<u>89,558</u>
	<u>562,942</u>	<u>648,966</u>
Net earnings from operations	<u>657,818</u>	<u>539,370</u>
Writedown in value of property (Note 11)	269,162	
Gain on sale of property	(9,716)	
	<u>259,446</u>	
Net earnings	398,372	539,370
Transfer to General Development Fund (Note 7)	<u>380,000</u>	<u>525,000</u>
Transfer to Deficit	18,372	14,370
Deficit, beginning of year	<u>(2,525,781)</u>	<u>(2,540,151)</u>
Deficit, end of year	\$ <u>(2,507,409)</u>	\$ <u>(2,525,781)</u>

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Balance Sheet

March 31 1997 1996

Assets

Cash	\$ 16,828	\$	
Receivables - trade	82,769		49,249
- Province			42,018
Notes receivable (Note 3)	204,959		7,073
Prepays	42,954		121,130
Real estate and development projects (Note 4)	18,546,758		17,975,566
Deferred pension cost	15,419		
	<u>\$ 18,909,687</u>	\$	<u>18,195,036</u>

Liabilities

Bank indebtedness	\$	\$ 59,801
Payables and accruals	234,267	358,187
Loan payable (Note 6)	<u>5,900,000</u>	<u>5,400,000</u>
	<u>6,134,267</u>	<u>5,817,988</u>

Shareholders' Equity

Capital stock (Note 7)	3	3
General Development Fund (Note 8)	1,535,000	1,155,000
Contributed surplus	13,747,826	13,747,826
Deficit	<u>(2,507,409)</u>	<u>(2,525,781)</u>
	<u>12,775,420</u>	<u>12,377,048</u>
	<u>\$ 18,909,687</u>	<u>\$ 18,195,036</u>

Commitments and contingent liability (Note 9)

On behalf of the Board

Alan J. Marshall Director [Signature] Director

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Statement of Changes in Financial Position

Year Ended March 31

1997

1996

Cash derived from (applied to)

Operating		
Net earnings	\$ 398,372	\$ 539,370
Depreciation and amortization	328,127	274,755
Gain on sale of property	(9,716)	
Write down in value of property	<u>269,162</u>	<u></u>
	985,945	814,125
Change in non-cash operating working capital (Note 10)	<u>(52,665)</u>	<u>(87,783)</u>
	<u>933,280</u>	<u>726,342</u>
Financing		
(Increase) decrease in notes receivable, net	(197,886)	4,528
Increase (decrease) in loan payable	500,000	(450,000)
Government assistance for capital expenditures	<u></u>	<u>850,000</u>
	<u>302,114</u>	<u>404,528</u>
Investing		
Purchase of		
Equipment	(7,922)	(1,224)
Real estate and construction projects	(1,230,843)	(1,526,582)
Proceeds from sale of property	<u>80,000</u>	<u></u>
	<u>(1,158,765)</u>	<u>(1,527,806)</u>
Net increase (decrease) in cash	76,629	(396,936)
Cash, net of bank indebtedness		
Beginning of year	<u>(59,801)</u>	<u>337,135</u>
End of year	\$ <u>16,828</u>	\$ <u>(59,801)</u>

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 1997

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Capitalization

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

Depreciation

Building and equipment

Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease

The cost of the lease referred to in Note 4 is amortized over its term.

Development costs

Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 1997

3. Notes receivable	1997	1996
Note receivable bearing interest at a variable rate, repayable in blended monthly payments of \$451, maturing August 1997.	\$ 2,050	\$ 7,073
Note receivable bearing interest at 7%, repayable in blended monthly payments of \$1,185, maturing March 2002, secured by an assignment of land and building.	60,000	
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of \$1,712, maturing June 2006. \$75,000 of the principal amount has been guaranteed by a third party.	142,909	
	<u>\$ 204,959</u>	<u>\$ 7,073</u>

4. Real estate and development projects	1997		1996	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Real estate and development projects	\$ 22,670,882	\$ 4,124,124	\$ 18,546,758	\$ 17,975,566

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Credit facility

The Corporation has available a general operating line of credit to a maximum of \$1,000,000 bearing interest at prime. As of March 31, 1997, the Corporation has no borrowings on this facility.

6. Loan payable

Demand loan bearing interest at approximately bank prime less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 1997

7. Capital stock 1997 1996

Authorized:

5,000 shares without nominal or par value

Issued:

3 shares \$ 3 \$ 3

The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

8. General Development Fund

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

9. (i) Commitments

The Corporation has entered into a lease agreement for the Queen's Wharf. Minimum lease payments over the next five years, assuming renewal, are as follows:

1998	\$10,100
1999	6,500
2000	6,500
2001	6,500
2002	6,500

(ii) Contingent liability

The Corporation is party to a land dispute with respect to the South Battery Property. The amount of the claim is approximately \$340,000. It is expected that any settlement resulting from the dispute will be recovered from third parties. The outcome of the dispute is not determinable at this time.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 1997

10. Change in non-cash operating working capital	<u>1997</u>	<u>1996</u>
Receivables	\$ 8,498	\$ (70,481)
Prepays	78,176	(114,630)
Payables and accruals	(123,920)	100,859
Deferred revenue		(3,531)
Deferred asset	<u>(15,419)</u>	<u></u>
	\$ <u>(52,665)</u>	\$ <u>(87,783)</u>

11. Subsequent event

In May 1997, the Corporation sold a property for \$600,000 which approximates net carrying value, after a write down in value of \$269,162 at March 31, 1997.

12. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

13. Employee pension plan

During the year, the Corporation joined a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The cost of past service benefits was \$21,629 and is being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at March 31, 1995 and includes pension assets of \$1,718,558,000, and pension liabilities of \$1,853,333,000, resulting in a pension deficiency of \$134,775,000. This deficiency will be funded through an increase in participant contributions. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.